



Iterative Capital Management, LP
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Chris Dannen
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Dear Investors:

It has been an absolute pleasure speaking with all of you over the last few weeks to discuss the Fund's operations to date, plans post-restructuring and catching up generally on each other's lives. We are writing to provide you with the latest update regarding the Fund's restructuring.

To date, nearly two-thirds of the Fund's 60 investors have elected to be "Continuing Investors" while approximately one-third of investors have elected to be "Exiting Investors." Unfortunately, one investor has taken the extraordinary step of filing a lawsuit against us and been granted an ex parte temporary restraining order, halting the restructuring.

The complaint was filed in the U.S. District Court for the Southern District of New York, and the action is *KDH Consulting Group LLC v. Iterative Capital Management, et al.*, 20-cv-03274. We believe the complaint accompanying the request for a temporary restraining order is baseless and riddled with inaccuracies, and intend to mount a vigorous defense. Nonetheless, the temporary restraining order prevents us from providing finality regarding your LP investment at this moment. While we cannot say much more regarding the complaint, we can state that, at a high level, the plaintiff is alleging:

- (1) that they were deceived into investing in the Fund and wrongfully blocked from making withdrawals;
- (2) that the Fund materially deviated from its investment strategy by undertaking mining operations;
- (3) that our attempt to restructure was a coercive demand for consent; and
- (4) that there were conflicts of interest with the separately owned OTC business.

However, as you are aware:

- (1) no investor was misled into joining the fund—every investor received the same investor materials noting our outlook on the industry and the potential risks; additionally, every investor was subject to the same rules (including a 90-day notice period) with respect to withdrawals;

(2) the Fund disclosed its intent to engage in cryptocurrency mining in the initial documents, and we provided updates on our operations as appropriate; overall, during the life of the investments, the mining strategy has outperformed the Fund's "buy and hold" trading strategy;

(3) the proposed restructuring was structured to be compliant with the LPA and offer an alternative to a pure liquidation (and has received an overwhelmingly positive response); and

(4) the relationship with Iterative OTC is a net positive for the Funds: Iterative OTC provides *no-fee* liquidity (as in, Iterative OTC *receives no fees*) for small liquidations of mined cryptocurrency sold to fund ongoing mining costs of the Funds and, contrary to the erroneous allegations in the complaint, the proposed restructuring transactions do not involve Iterative OTC in any way.

The proposed restructuring transactions were many months in the making, and represent the result of countless conversations with investors. We still believe that they represent the best opportunity going forward: one option provides investors who wish to redeem a path to do so at a reasonable price without regard to current side pocket and other liquidity restrictions, while another option affords investors who wish to continue their investment the opportunity to do so in a more streamlined business. A hearing concerning the Judge's temporary restraining order is currently scheduled to take place on May 11th, which we hope will provide us more clarity on a path forward to consummating the restructuring. Until then, the terms of the offering will not change and as such, the deadline for investor responses remains *tonight at midnight EST*. **We intend to move forward with the restructuring based on the current offering terms and responses received as of the deadline tonight as soon as we are legally permitted to do so.**

Thank you all for your time, consideration, trust and belief in our team. We hope this is behind us soon and we are excited for our thesis to prove out as global macroeconomic conditions and underlying principles of cryptocurrencies collide. We remain humbled and appreciative of all of you, and we will report any substantial updates as appropriate.

Best,
Brandon and Chris